



# Finance and Administration Committee Agenda Item 4d

March 15, 2016

**Item Name:** Semi-Annual Accounts Receivable Analysis Report

**Program:** Financial Office

**Item Type:** Information Consent

### Executive Summary

As of December 31, 2015, CalPERS' receivables totaled \$918.5 million. This is a decrease of \$911 million from the prior six months, starting June 30, 2015. The majority of the decrease is attributed to the timing of a \$591 million State of California payment. In addition, approximately \$297 million of payments by 800 schools and cities were paid more timely. A comparison of the prior twelve month period, December 2014 through December 2015, shows a net increase of \$102.5 million, or 12 percent. The majority of the increase is based on higher employer contribution rates, resulting in higher receivables.

### Strategic Plan

This report supports Goal B of the CalPERS 2012-2017 Strategic Plan – to cultivate a high-performing, risk-intelligent and innovative organization. It specifically addresses two of the objectives under that goal – to actively manage business risks with an enterprise-wide view and to deliver superior, end-to-end customer service that is adaptive to customer needs.

### Background

Receivables are categorized and analyzed in three main areas: employer-health, employer-pension, and member receivables for the period of July 1, 2015 through December 31, 2015.

Receivables are considered delinquent when payments have not been received within 30 days of the due date. When a payment is late, delinquency notices are sent at regular intervals.

### Analysis

The chart below is a summary of receivable activity for the six-month period from July 1, 2015 through December 31, 2015 (Dollars in Thousands).

	EMPLOYER HEALTH	EMPLOYER PENSION	MEMBER	TOTAL
Beginning Balance	\$219,508	\$1,562,411	\$47,660	\$1,829,579
Opened	1,517,459	8,547,450	59,754	10,124,663
Closed/Adjusted	(1,533,121)	(9,450,323)	(52,283)	(11,035,727)
Ending Balance	\$203,845	\$659,538	\$55,132	\$918,515

### **Employer – Health**

CalPERS' employer-health receivables decreased by \$15.7 million, or 7 percent, since June 30, 2015. The majority of the decrease in this category is attributed to the enhanced interest penalty process for unpaid health premiums. This process improvement has resulted in more timely payments and also accounts for the majority of the year-over-year decrease of \$17 million, or 8 percent, since December 2014.

### **Employer – Pension**

Since June 30, 2015, employer-pension receivables have decreased \$903 million, or 58 percent. This is primarily a result of the timing of State of California and employer contribution payments. Of the \$903 million reduction, approximately 65 percent is attributed to the State of California, 20 percent is attributed to the schools, and the remainder represents public agencies.

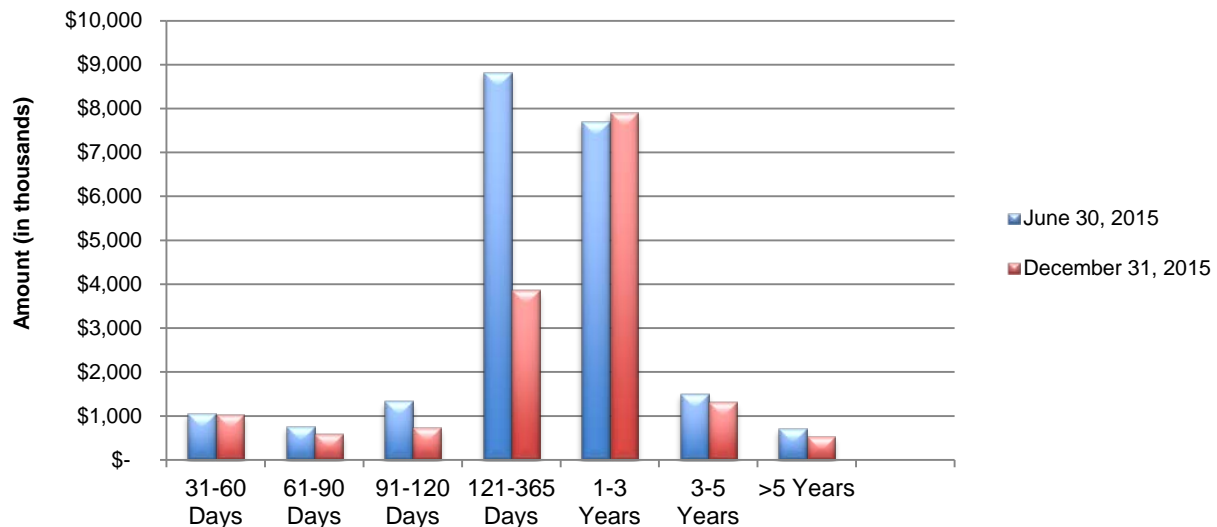
In comparison to December 2014, employer-pension receivables increased \$112 million, or 20 percent. The increase is attributed to higher payroll contribution rates caused by the phase-in of actuarial assumptions and an overall increase to payroll.

### **Member**

CalPERS' member receivables have increased \$7.4 million or 16 percent, since June 30, 2015. Although the number of receivables remained stable, the dollar amount per receivable increased for payments made to deceased members prior to CalPERS receiving death notification. The increased payment amounts also account for the majority of the year-over-year increase of \$8 million, or 17 percent, since December 2014.

## **Delinquency**

**FY 2015-16 Delinquencies by Age**



Overall, delinquencies have decreased \$6 million since June 30, 2015. Only employer receivables in the 1 – 3 Years category increased, by \$1.1 million. This increase is primarily due to the aging of two employer receivables that are actively being pursued.



Delinquent member receivables decreased \$4.8 million. More efficient recovery methods, including dedicated staff and focus on payment plans, were adopted for older health receivables in the 121 – 365 Days category that were identified during data clean-up efforts. Health receivables accounted for approximately twenty-one percent of the decrease.

The number of outstanding delinquencies was reduced by 75 percent as a result of ongoing collections efforts in the >5 Years category. In the 3 – 5 Years and >5 Years categories, the dollar amount of receivables has declined in employer health, employer pension, and member categories by 16, 57, and 30 percent, respectively.

In comparison to December 2014, the percentage of delinquent receivables decreased from 2.5 percent to 2.1 percent, a 16 percent reduction.

**Budget and Fiscal Impacts**

Not Applicable.

**Benefits and Risks**

Not Applicable.

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